

TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Fiscal Analyst

DATE: July 31, 2001

RE: Detroit Historical Museum Bond Ballot Proposal for the November 2001 Election **(Recommend Approval)**

The Administration has requested Council's authorization of a resolution to place a capital bond authorization proposal totaling \$20 million slated for the Detroit Historical Museum on the upcoming November ballot.

The \$20 million bond authorization if approved by the voters would provide seed money to help raise an additional \$55 million from other sources to fund a proposed \$75 million renovation and expansion of the Detroit Historical Museum project. Of the additional \$55 million, \$20 million in total is anticipated to come from the State and Wayne County, and the Detroit Historical Society is expected to raise the remaining \$35 million through private donations.

The project entails expanding the existing 80,000 square foot facility into a 180,000 square foot facility that would offer several attractions featuring metro-Detroit's industrial, cultural, recreational and societal past, expanded educational facilities, a parking deck which can handle 370 cars, atrium space capable of holding 500 plus guests for special functions, an expanded and relocated Museum Gift Shop, and a cafe'/restaurant. More detail on the project is attached.

The Detroit Historical Museum currently attracts 250,000 to 270,000 people annually, with about 180,000 of the patrons attending the facility on Woodward. An expanded museum is expected to attract 250,000 to 300,000 people annually to the main building on Woodward.

Now appears to be great timing for this project because of the huge support surrounding the Detroit 300<sup>th</sup> birthday celebrations thus far. In addition, the ballot question would be the only capital bond authorization proposal related to Detroit in November.

The Administration does not anticipate selling the \$20 million in bonds at one time. Instead, the bonds would most likely be sold over a 3year period (the project should be completed by 2005), or about \$6.6 million worth per year. The Historical Department feels the project could start in fiscal year 2002-03, so if the voters approve the bond authorization in November, the department would no doubt request for the first \$6.6 million allocation in the proposed budget for 2002-03. Of course, Your Honorable Body would have to give final approval of the budget for the department.

A \$6.6 million capital allocation in a given year would be a sizable outlay for just one department. Currently, the city sells between \$40 and \$50 million annually for capital projects. This allocation for the Historical department would most likely push annual bond sales toward the \$50 million mark. However, this should not be that alarming to the credit rating agencies, especially given the short timeframe associated with this project.

As required by state law, the bond ballot proposal for the Detroit Historical Museum shows the estimated first year cost and the average cost over the life of the bonds to the taxpayer, if the entire \$20 million in bonds were sold at once (see attached). The estimated tax rate that would be levied in the first year would be .2016 mills, with the estimated tax rate over the bond's life of 25 years to be .1310 mills. The average house state equalized valuation is \$25,000 (with the home value being \$50,000), so this would equate to **\$5** in new taxes for the first year and an average of **\$3** in taxes annually over the 25 years. A home valued at \$100,000 would have a state equalized value of \$50,000 and this would equate to **\$10** in new taxes in year one and **\$7** in taxes annually over the bond's life. And a home valued at \$150,000 would have a state equalized value of \$75,000 requiring **\$16** to paid in new taxes in the first year and **\$10** paid annually over the life of the bonds.

As stated in the Mayor's letter to Your Honorable Body, Your authorization before recess is critical because the ballot proposal must be submitted to the City Clerk by August 28, 2001, in order to be placed on the November 6, 2001 ballot.

We recommend approval of the resolution that is before You on this ballot proposal. Please contact our office if there are any further questions.

#### Attachments

cc: Council Divisions  
Dennis Zembala, Historical Department Director  
Roger Short, Budget Director  
Richard Walczak, Budget Department  
Ed Hannan, Finance Director  
David Smydra, Group Executive-Mayor's Office  
Gerarda McCarthy, Mayor's Office

